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SUBJECT: MEDIA REACTION: U.S.-EU, U.S.-CHINA, IRAN, AFGHANISTAN,  
EU-GREECE, U.S.-SPACE, ECONOMIC-DAVOS;BERLIN

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- ¶1. Lead Stories Summary

ZDF-TV's primetime newscast Heute opened with a story on the token strikes in the public service sector. ARD-TV's primetime newscast Tagesschau and most papers led with stories on the EU response to the budget crisis in Greece. Berliner Zeitung und Frankfurter Rundschau led with stories on the German government's first 100 days in office, and Sddeutsche led with a story on the debate over tax havens. Die Welt carried a large front-page photo of yesterday's event at the American Academy, showing elder statesmen, including former Secretaries of State Kissinger and Schultz. Editorials focused on the government's first 100 days and the financial crisis in Greece.

- ¶2. (U.S.-EU) Fallout from Cancellation of Summit

President Obama's decision not to attend the EU-U.S. summit meeting in Madrid no longer makes the headlines in the German press. Only Sueddeutsche Zeitung (2/4) carried an editorial under the headline: "Summit of Disappointment," and opined: "The world of diplomacy hardly knows anything that is more impolite than to decline an invitation to a summit and then inform the other side of this decline through the media. For this reason, the Europeans are right to look with a certain degree of irritation to Washington. We should now not complain about the end of European-American friendship but Obama's cancellation is, nevertheless, remarkable. On the one hand, it demonstrates the domestic pressure on the

President. Obviously, Obama is not even able to leave Washington for a mere 48 hours to meet his most important allies. The fear that the Republicans could attack him during his absence is just too great. But, at the same time, his cancellation makes clear Obama's view of Europe. He is the first president who has no family or emotional links to the old world. Obama's world is Africa, where his father came from, and Indonesia, where he lived as a youth. The President...does not want rhetoric, but results, in relations with Europe and, in this respect, there are problems.... The Europeans feel disrespected by the Americans, while the Americans feel left in the lurch by Europeans. Even under the Obama government, this is the prevailing bad mood. The Madrid summit would have been an opportunity to tackle a few problems. That is what summit meetings are there for - if they are not being cancelled."

### 13. (U.S.-China) Arms Exports to Taiwan

Weekly Die Zeit (2/4) carried an editorial under the headline: "Yellow Card" with the sub-title: "Obama Modernizes [Taiwan's] Arms System?" The paper wonders: "Is it really necessary for the U.S. to interfere? The answer is 'yes,' because America has a special responsibility for Taiwan. And as long as Taiwan is being threatened by Chinese missiles, the U.S. must also show this responsibility by shipping arms. These arms shipments, but primarily the U.S. strategic ambiguity, are an insurance policy that mean Taiwan will survive. They have forced China to pursue a course of rapprochement, a path upon which China would otherwise probably not have embarked. Now both powers are baring their teeth at each other without the one being able to force the other to give in. And that is why it is probably no coincidence that Barack Obama is now carrying out an arms deal that originated with his predecessor.

Obama's experience with the Chinese seems to be completely the opposite of ex-President Bush's. At the beginning of his term, Bush had a lot of trouble with the Chinese leadership but later he carried favor with it for the 'fight against terror.' Obama, in turn, traveled with a lot of good will to Beijing in order to learn afterwards that relations deteriorated month by month. If he were Chinese, he would probably say he has lost face. Now Obama is showing the Chinese their limits. He welcomed Beijing's rise, but he does not want to put up with everything."

### 14. (Iran) Nuclear Program, Missile Test

Under the headline "Sensitive to pressure," Frankfurter Allgemeine (2/4) editorialized: "Suddenly, Iranian President Ahmadinejad has no problem with enriching uranium abroad. When exactly the same thing was proposed to the Iranian regime last year, he brusquely rejected it. How do you explain this change of mind-if it is one? The international debate about new economic sanctions against Iran is obviously having an impact on Tehran. The Obama government is urging Congress and losing patience. The German government seems to be willing to agree to sanctions even if 'only' like-minded nations approved of them.... The West is right to be skeptical about Ahmadinejad's 'no problem' statement. Far too often, he has made fools of them. There is no reason to sound the all clear signal in the nuclear dispute. This will only be heard when actions follow the words of the Iranian leadership."

Sddeutsche (2/4) headlined "unexpected offer" and opined "If Iran indeed gives in on the nuclear dispute, it would be an unexpected confirmation of the P5 and Germany's negotiating strategy. The carrot and stick approach would have been effective - shortly before the discussion of UN sanctions begins. However, there have been many announcements by Iran in the past. President Ahmadinejad's statement is only worth something if he writes it down and sends it to the IAEA, which had made the proposal for the deal. Iran can now prove its credibility and alleviate the conflict by pursuing confidence-building measures. As long as the uranium has not reached Russia, there is no reason to slow down the efforts to impose tougher sanctions. Ahmadinejad welcomed the deal before but could not get it through the complicated power structures of the regime. The restraint response in Washington, Paris and Berlin is therefore appropriate and right. The danger that Iran is only pursuing a tactical maneuver is too great. Iran knows that Russia and China are skeptical about new sanctions. If the negotiating group were now to fall apart, it would be an unexpected triumph for Tehran."

An editorial in Berliner Zeitung (2/4) remarked: "The U.S. and Iran look like two warriors of enemy tribes, facing each other in a ritual dance. They go around each other making threats, retreat and then attack again. Iran is currently making the impression as if it is giving in, being impressed by the military movements in the [Persian] Gulf and the potential comprehensive sanctions.... By yielding, Iran wants to delay comprehensive sanctions and stop Russia and China from agreeing to them. Particularly stopping fuel exports to Iran would hit the Iranian economy.... The stop of deliveries would have serious social repercussions. The proposal buys Iran time that the West does not have. Iran will soon have the ability to build a nuclear bomb. Israel does not want to accept this threat. The situation could therefore soon get out of control."

"Iranian Confusion," Handelsblatt (2/4) editorialized: "Is this the turning point in the nuclear game of poker? It can be doubted. For too often President Ahmadinejad made a fool of the West by making compromises first and retracting them soon after, while simultaneously pursuing the nuclear program."

Regional Volksstimme of Magdeburg (2/4) commented: "The news is that things are moving in the nuclear dispute with Iran. After the Iranian presidential elections in June, negotiations almost came to a complete standstill. If President Ahmadinejad now announced Iran is prepared to enrich uranium abroad, it can have two causes. First, the pressure on the regime increases as domestic protests continue and international sanctions look more likely. Secondly, the announcement could be a purely tactical maneuver. Carrots and sticks has been a successful strategy for Tehran in the nuclear dispute. The West was therefore right to be restrained in its response to the offer."

#### 15. (Afghanistan) Karzai, Future Strategy

Frankfurter Allgemeine (2/4) editorialized on President Karzai's visit to Saudi Arabia: "Karzai wants Riyadh to support the process of reconciliation with his radical enemies. Without such a process, the stabilization of Afghanistan will remain a mirage. In addition, Saudi money could help improve Afghanistan's infrastructure."

Tagesspiegel (2/4) noted that the "exit program for moderate Taliban can hardly be implemented during a phase of increased military operations. In addition, experts doubt whether it can be implemented without Pakistan's active support. As a result, the West's new strategy on Afghanistan after the London conference looks like the strategy before the conference."

Frankfurter Rundschau (2/4) analyzed NATO's financial problems and its effects on the mission in Afghanistan. "Actually, NATO is pursuing important goals in Afghanistan.... The mission is funded not just by the countries but also by NATO itself. The problem is that the organization is pretty broke. In the current financial year alone, the budget lacks several hundred million euros. In the medium term, we are even speaking of billions.... A fight is going on behind closed doors about money. The key question here is whether the money should be spent particularly in Afghanistan or within the NATO area. While the military leaders, the Americans and the Britons want a new headquarters in Kabul and improved satellites communications, eastern and southern Europeans would like to see their infrastructure being brought up to date.... Given that all member states have high national deficits and some even face bankruptcy due to the financial crisis, there will be no decisions made during the NATO ministerial in Istanbul."

#### 16. (EU-Greece) Financial Crisis

The Greek financial crisis is the main political story in the press this morning (2/4). Tagesspiegel headlined: "EU Takes Over Financial Control in Greece," while Die Welt led with a story headlined: "EU Keeps Greece on a Short Lead - Greece Must Present Report on Savings Course on a Quarterly Basis - Opening Of Procedures Because of False Budget Figures." Handelsblatt's lead story carried the headline: "EU Forces Athens Government to Initiate Reforms," and Sueddeutsche Zeitung headlined: "EU Puts Greece under Receivership."

In an editorial Sueddeutsche Zeitung (2/4) had this to say: "The situation resembles the one of Lehman Bros. Its insolvency led the world to a crisis that has not yet been overcome. First it was Lehman and the banking crisis and now it is Greece and the state crisis. History repeats itself. It repeats itself with respect to the development of the crisis but not with respect to overcoming it.

It is still up to the EU governments to react in a better way than President Bush and his backers who thought it would be possible to isolate and punish Lehman Bros. It would be a hazardous game to attempt to do the same at the state level. If Greece fails, then Portugal, Ireland, and Spain could fail, too. That is why [the EU]

must help with all the necessary brutality. The European Commission took the first step by putting it under supervision; it practically took away Greece's sovereignty. This is the worst imaginable punishment for a nation but it is only logical in a community. Only a crisis shows what a system is able to accomplish. The euro system has many possibilities, even if it hurts."

In an editorial, Handelsblatt (2/4) judged: "The real signal of the control program [for Greece] is: we look after you. And thus, it is difficult to imagine that the EU would leave Greece in the lurch if consolidation were to go wrong. The arsenal of possible assistance is great: It ranges from direct or premature payments from individual EU pots via loans to the commonly guaranteed bonds. In case of doubt the EU will select the thing that is the least noticeable, because EU citizens are not in the mood to show financial solidarity. Nevertheless, the EU, even though no one admits it, will increasingly turn into an enlarged mirror image of what we know from Germany: In the end, all public budgets vouch for each other."

Frankfurter Allgemeine (2/4) judged in a front-page editorial: "The only thing that will currently help Greece is the consistent application of existing rules. The repeated calls for help from the outside - be it the IMF or bilateral assistance from other EU states-- can only prompt the government in Athens to make excuses. The argument of EU Commissioner Almunia is to say that, if the savings measures that have now been announced take effect in a few months, speculation about [Greece's] state bankruptcy would be over and done with, too. But this argument is also true in the opposite direction: If an effect is not visible by then, Greece would not only face an abyss, then it would be with its foot in it."

In the opinion of Financial Times Deutschland (2/4), "it is good that the EU is now applying the new instruments from the Lisbon Treaty to Greece, but, as good as control is, the second part of the solution is still lacking: credible possibilities of imposing sanctions. Without the threat of punishment, even the best control will not lead the Greek sinner back to the path of budgetary virtue.

The case of Greece is now turning into a test case for future Monetary Commissioner Olli Rehn. He must prove that Brussels has the euro countries under control even without effective possibilities for sanctions. That is why one of his first actions in office should be to prompt Portugal, Ireland, and Spain to show greater budgetary discipline because a chain reaction is exactly the thing the euro zone must avoid at any cost if it wants to safeguard the stability of the euro."

Under the headline: "Enough is Enough, Athens!", weekly Die Zeit (2/4) judged: "First the banks, now the Greeks? For whom should the German taxpayer continue to pay? For years, Greece has violated the rules of economic reason, and now it is faced with bankruptcy. And the same game that was played in connection with the banks is now looming with Greece. Because its bankruptcy would jeopardize the international financial system, it may be possible that the taxpayer must help out again. With their money they should help those overcome their problems who have now proved that they do not know how to deal with money. We could tear our hair out but this situation could happen. But even more important is the question of how a similar situation can be prevented in the future. It seems to be necessary to create a new body that supervises the budget policies of the EU members. Experts suggested a European Monetary Fund, but whatever the shape of this institution, without greater controls the Monetary Union will not survive."

Regional daily General-Anzeiger of Bonn (2/4) argued: "The entire

community must wonder what it will do in the future with a situation that was unthinkable a while ago: What will we do if a country is sliding into bankruptcy? Since this crisis, nothing can be ruled out any longer."

#### 17. (U.S.) Space Travel

Under the headline: "Nothing is Impossible," Die Welt (2/4) opined: "It was left to President Obama to tell the enthusiastic U.S. space travel nation the bitter truth: No we can't. There is simply not enough money in the coffers for a trip to Mars or even to the Moon. The formerly glorious NASA will now quickly lose its significance. The wave of privatizations is now also reaching space travel. Manned and unmanned space travel will now primarily serve corporate goals. More than ever, one motto will now be valid for space travel: competition stimulates business. In the coming years, the cards will be reshuffled and then we will know which country is heading for which destination in outer space. In individual cases there could also be private public partnerships. The curiosity of man is so great that we will certainly see people on the moon in this decade - even without state programs."

#### 18. (Economic) Davos Economic Forum

"Capitalism 2.0" is the headline in Die Zeit (2/4), which editorialized: "What is the message from Davos? In view of the many uncertainties, the answer has rarely been as difficult and as interesting at the same time as today. On the large rostrums one thing became clear: [The economic and financial] crisis will last for more years to come and the question is who has to pay for it? Pepsi Cola CEO Indra Nooyi, Google's Eric Schmidt and Co. are anything but do-gooders but they have the strong feeling that financial capitalism, including its thinking about capital markets, should no longer dominate the markets because, first, their economic approach is highly unstable; second, because one's own staff should not only serve to achieve a quarterly profit; and third, because society would no longer accept this economic approach. Advisors and experts confirmed this message in Davos. When experts talked about the necessary change of capitalism, they talked about long-term expectations, greater stability, greater respect for the staff, customers, and the environment - and of no less. And the earlier the economy moves in this direction, the less regulatory power will have to be used by the state."

MURPHY